

Message Text

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SUBJECT: GAO REVIEW TEAM VISIT

REF: (A) STATE 187764; (B) STATE 191476; (C) PANAMA 05651; (D)
SANTIAGO 05675

1. A THREE-MAN GAO REVIEW TEAM VISITED SANTIAGO AUGUST 18-25 TO DO FIELD WORK RELATED TO A GAO-INITIATED WORLDWIDE STUDY ENTITLED "THE INCREASING RELIANCE OF U.S. MANUFACTURERS ON FOREIGN PROCESSED MATERIALS." THE STUDY IS FOCUSING ON U.S. LEGISLATIVE DISINCENTIVES TO INVESTMENT AND PRODUCTION IN U.S. MINING. SEPARATE TAMS ARE VISITING EUROPE, ASIA AND LATIN AMERICA (ARGENTINA, CHILE AND MEXICO) IN ORDER TO FORMULATE A COMPARISON OF FOREIGN AND DOMESTIC LEGISLATION CONCERNING: ENVIRONMENTAL STANDARDS, WORKER SAFETY STANDARDS AND LAND-USE PATTERNS. IN PART THE STUDY SEEKS TO EVALUATE THE CLAIM OF U.S. DOMESTIC PRODUCERS THAT U.S. LEGISLATION IN THESE AREAS IS INCREASING U.S. PRODUCTION COSTS, DRIVING U.S. MINERALS INVESTORS OFFSHORE AND, CONSEQUENTLY, INCREASING U.S. DEPENDENCE UPON FOREIGN-PROCESSED RAW MATERIALS.

2. THE GAO TEAM RECEIVED A PROPER WELCOM FROM GOC OFFICIALS INCLUDING UNDERSECRETARY OF MINING REUBEN SCHINDLER ((ACTING MINISTER) AND CODELCO (STATE COPPER MINING CORPORATION)
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EXECUTIVE DIRECTOR GENERAL ORLANDO URBINA. BECAUSE THE TEAM'S VISIT CAME CLOSE ON THE HEALS OF THE RECENT ITC RECOMMENDATION OF A 300,000 MT IMPORT QUOTA ON REFINED COPPER, GOC OFFICIALS WERE SLIGHTLY BEMUSED BY THE IDEA OF ONE USG AGENCY, THE GAO, STUDYING U.S. RELIANCE ON IMPORTS AND ANOTHER, THE ITC, RECOMMENDING IMPORT QUOTAS OF THE SAME. THE GAO GROUP VISITED LARGE UNDERGROUND EL TENIENTE MINE AND HELD TOP LEVEL MEETINGS

WITH GOVERNMENT OFFICIALS IN MINISTRY OF MINES, CODELCO, ENAMI (MEDIUM AND SMALL SIZED MINES), CENTRAL BANK, ODEPLAN (NATIONAL PLANNING AGENCY), AND STATE FOREIGN INVESTMENT COMMITTEE; WITH PRIVATE SECTOR HEADS OF LA DISPUTADA (EXXON), MANTOS BLANCOS (PRIVATELY OWNED COPPER MINE), AND THE QUASI-GOVERNMENTAL CENTER FOR MINING AND METALLURGICAL RESEARCH, AND OPPOSITION MINERAL ECONOMIST IN CIEPLAN (LATIN AMERICAN ECONOMIC RESEARCH CENTER).

3. FROM EMBASSY VIEWPOINT THE GAO VISIT WAS PRODUCTIVE IN TERMS OF GIVING THE EMBASSY (A) INSIGHT INTO U.S. PRODUCERS' CLAIMS OF DAMAGE DUE TO INCREASING IMPORTS, (B) ESTABLISHING GOC REACTION TO ITC DECISION (SEPTTEL), (C) REVIEW OF CURRENT MINING POLICY AND DEVELOPMENTS, AND (D) EVALUATION OF CHILE'S ARGUMENT THAT INCREASING FOREIGN INVESTMENT IN CHILE'S MINRAL SECTOR IS PRIMARILY THE RESULT OF ECONOMIC CONSIDERATIONS BASED ON CHILE'S HIGH GRADE ORE AND SECONDARILY ON LOWER LABOR COSTS.

4. THE EMBASSY WAS LEFT CONCERNED, HOWEVER, ABOUT THE QUALIFICATIONS AND PREPARATION OF THE PERSONNEL ASSIGNED TO THIS MISSION. TWO OF THE THREE TEAM MEMBERS WERE ACCOUNTANTS BY PROFESSION AND HAD ONLY RECENTLY JOINED THE EFFORT. UNDERSTANDABLY THEY HAD LITTLE EXPERIENCE WITH THE SUBJECT. THIS WAS APPARENT, AND AFTERWARDS LOCAL OFFICIALS QUESTIONED EMBASSY OFFICERS ON THE TECHNICAL EXPERTISE OF THE GAO REPS AND WONDERED AS TO THEIR EXPERIENCE. WHILE THEIR QUESTIONS WERE CLEAR AND TO THE POINT, LIMITED OFFICIAL USE

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THE GAO TEAM COULD NOT ALWAYS SUSTAIN SUBSEQUENT GIVE-AND-TAKE DISCUSSION. IN VIEW OF MINISTERIAL LEVEL TALKS ON A HIGHLY COMPLICATED AND TECHNICAL SUBJECT, EMBASSY BELIEVES GAO SHOULD HAVE SENT A MORE KNOWLEDGEABLE AND FIELD-EXPERIENCED TEAM. LANDAU

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